

LETTER | Understand govt's limitations, constraints in managing economy

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LETTER | Everyone has something to say about the recent 2024 budget presented in Parliament.

Most are critical and “advisory” - the government should have “done this and included that.”

They largely ignore the constraints and limited options now available to the government of the day.

I am not envious of whoever oversees the Malaysian economy today. For far too long, we have allowed the economy to run to the ground.

Even with sincerity, it is almost impossible to make right the imbalances now prevailing in the economy. We have too many irreconcilable contradictions and competing wants demanding attention.

We want fiscal responsibility but government spending is essentially locked in.

Fiscal consolidation is not just looking at the deficit as a percentage of GDP coming down. That is self-consolation to me. Both deficit and debt in absolute terms are increasing, which means debt servicing and the burden of debt repayment will continue to escalate.

We can't behave like the US for long because Malaysia is no US and our ringgit is no US dollar. I do not foresee fiscal consolidation despite the Fiscal Responsibility Act simply because the demands for government attention are too many and too varied.

And then we endlessly criticise the weak ringgit but largely forget our huge debts and low-interest rates.

This is akin to having the cake and eating it too. We want all the goodies but we conveniently ignore the cost or the pain we must bear. How can our ringgit be strong when currencies currently stronger than the ringgit are yielding higher interest rates?

Then we have so many elephants in the room which the government choose to ignore out of political considerations. To me, these are fundamental strangleholds that will eventually choke our revival.

Has there been any progress in resolving the many problems ranging from the

size of debt servicing, civil service salaries, pensions, endless bailouts in GLCs, continued leakages in government procurements, and increasing subsidy payments?

Yes, we are aware of good governance and targeted subsidies currently being emphasised by the government, but my concern is overbearing political considerations and the interests of the constituents.

Please forgive my pessimism, I doubt anything meaningful and significant can be done in any of the above in the immediate term. In the long term maybe, but then as John Maynard Keynes once said, "In the long run, we are all dead."

Economic management is not deciding what to do in the spur of the moment. We need to identify the problem properly, map out the implementation processes, assess the outcome and ensure sustainability.

For example, by now we probably have spent millions on repairing school toilets. But how soon can we expect the problem to return if the same modus operandi is used as in the past?

In my lifetime I have seen many "flash in the pan" scenarios. However, I am not accusing the present government of this. I really hope that things will be different this time.

In fact, I sympathise with the constraints, contradictions, and strangleholds faced by the government.

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